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U.S. Small Business Administration SBA

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# HUBZone Program

# DoD Mid-Atlantic Regional Council

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# What We'll Be Talking About

- HUBZone - - - history and purpose
- Requirements
  - Certification
  - Keeping the certification
- Contract Types (benefits)
- Question & Answer Session

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# Quick History

- In 1996, U.S. Senator Christopher 'Kit' Bond, then Chairman of the Small Business Committee, crafts legislation to link preferences for award of Federal contracts to small businesses located in economically dormant and underserved areas, which he called HUBZones.

- JOBS promote long-term economic viability.

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# HUBZone Program – Purpose

- Provides federal contracting opportunities to qualified small firms in designated HUBZones to:
  - Increase employment opportunities
  - Stimulate capital investment
  - Empower communities through economic leveraging

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# What is a HUBZone?

- Historically Underutilized Business Zone

- HUBZone areas, typically have:
  - low median household incomes
  - high unemployment
  - high poverty

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# There are 4 kinds of HUBZone

- A Qualified Nonmetropolitan County*
- A Qualified Census Tract*
- An Indian Land
- A Qualified Base Closure Area

*When a county or tract loses its HUBZone qualification, it is redesignated for three years.

- The areas **change multiple times a year**. Areas become newly qualified, redesignated, and lose qualification altogether

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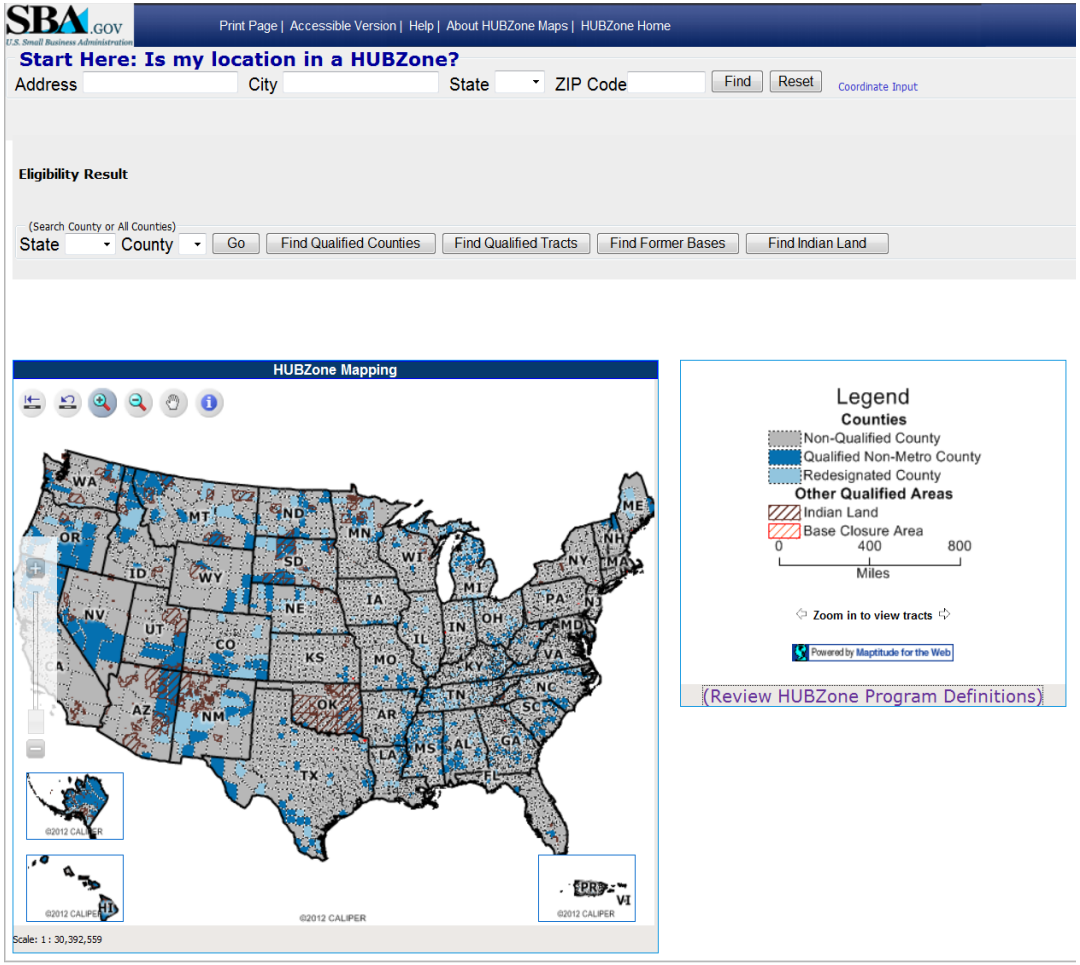
# HUBZone Maps

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# HUBZone Eligibility Requirements

- Small business (by SBA standards)
- Owned and controlled by at least 51% U.S. citizens or a community development corporation, an agricultural cooperative, or an Indian tribe
- Principal office must be located within a designated HUBZone
- At least 35% of its employees must reside in a HUBZone
- ***Note***: Different rules apply for Tribal Governments, Alaska Native Corporations, Community Development Corporations and small agricultural cooperatives. These are delineated in Title 13 of the Code of Federal Regulations, Part 126

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# Maintaining HUBZone Certification

1. **Notify SBA of any material change that may affect the firm's HUBZone status.**
    a. Change in the firm's ownership
    b. Change in the firm's business structure
    c. Change in the firm's principal office
    d. Change in the firm's 35% HUBZone residency status

2. **Recertify HUBZone status every 3 years**

- Although there is no limit to the length of time a firm may qualify as a HUBZone firm, the certification is not a lifetime certification. Every HUBZone firm must recertify every three years to SBA, indicating that it remains a "qualified" HUBZone SBC, 13 CFR **§ 126.500**

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- **NOTE: SBA will initiate the recertification action.**

# Maintaining HUBZone Certification (cont'd)

3. **Incorporate maintaining HUBZone certification into the business plan.**
   - Do not maintain a HUBZone employee percentage near 35%. This is risky. Have some cushion, say, around 60% or more.
   - Maintain a list of potential hires in case one of your HUBZone residents quits. This way you do not have to fall out of compliance and risk decertification.
   - Watch the HUBZone map for changes; sign up for email alerts at Subscribe to HUBZone News. If the principal office is in an area that is redesignated, the firm has 3 years to come up with another way to meet the PO requirement.

- Even though certification can potentially be indefinite, the median number of years in the program has been only 4!

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# Principal Office (example)

Company, Inc. is a small IT services company. Their headquarters is located in an urban area that is not HUBZone, according to the map. The two owners and an administrative support person spend the majority of their work hours there. Across the street, in a qualified census tract, is a government facility where 6 engineers perform contract specific work. The owners and the admin all live in a HUBZone a few miles away. There are 6 employees at the government site. One of them is part time and works only 20 hours every week. Only one of the six employees who works at the government site lives in a HUBZone.

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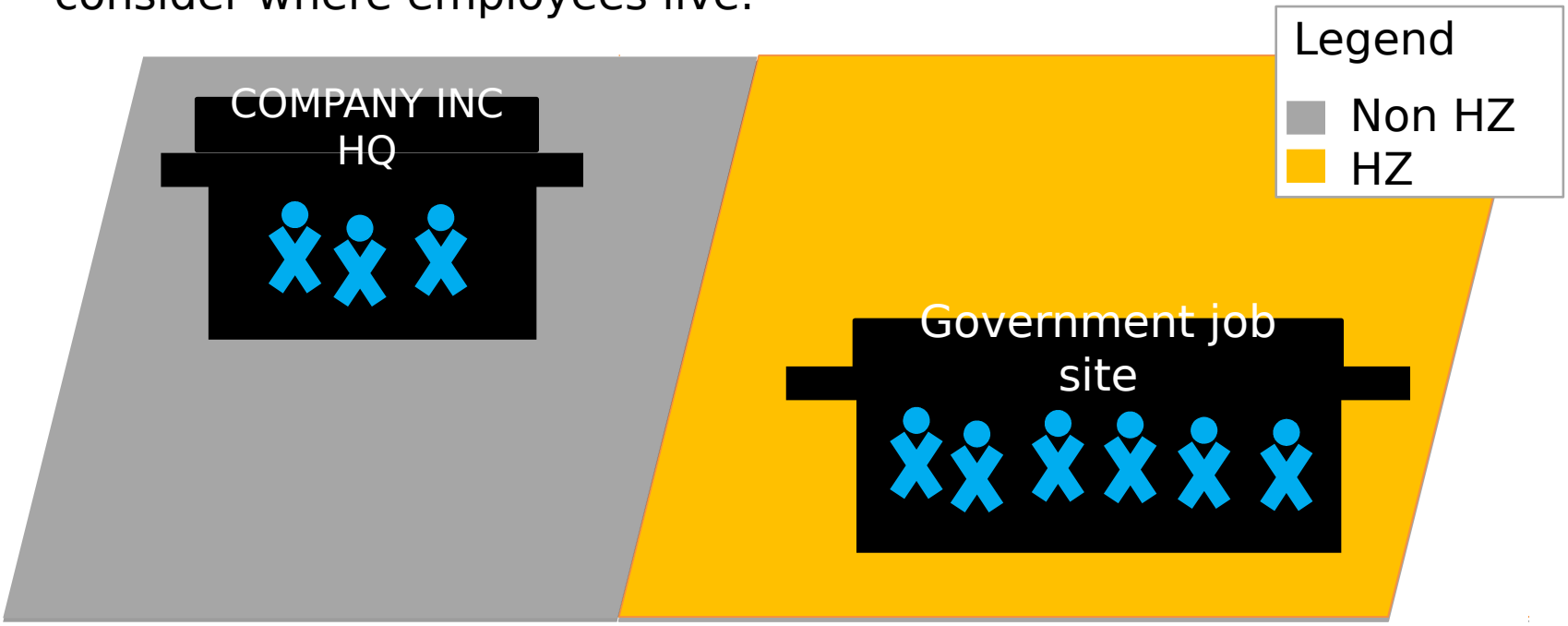
Does this company meet the Principal Office requirement?

# Answer

When dealing with the evaluation of the principal office, do not consider where employees live.




Does this firm meet the PO requirement? **NO**

# 35% Employee HUBZone Residency

Company, Inc. is a small IT services company. Their headquarters is located in an urban area that is not HUBZone, according to the map. The two owners and an administrative support person spend the majority of their work hours there. Across the street, in a qualified census tract, is a government facility where 6 engineers perform contract specific work. The owners and the admin all live in a HUBZone a few miles away. There are 6 employees at the government site. One of them is part time and works only 20 hours every week. Only one of the six employees who works at the government site lives in a HUBZone.

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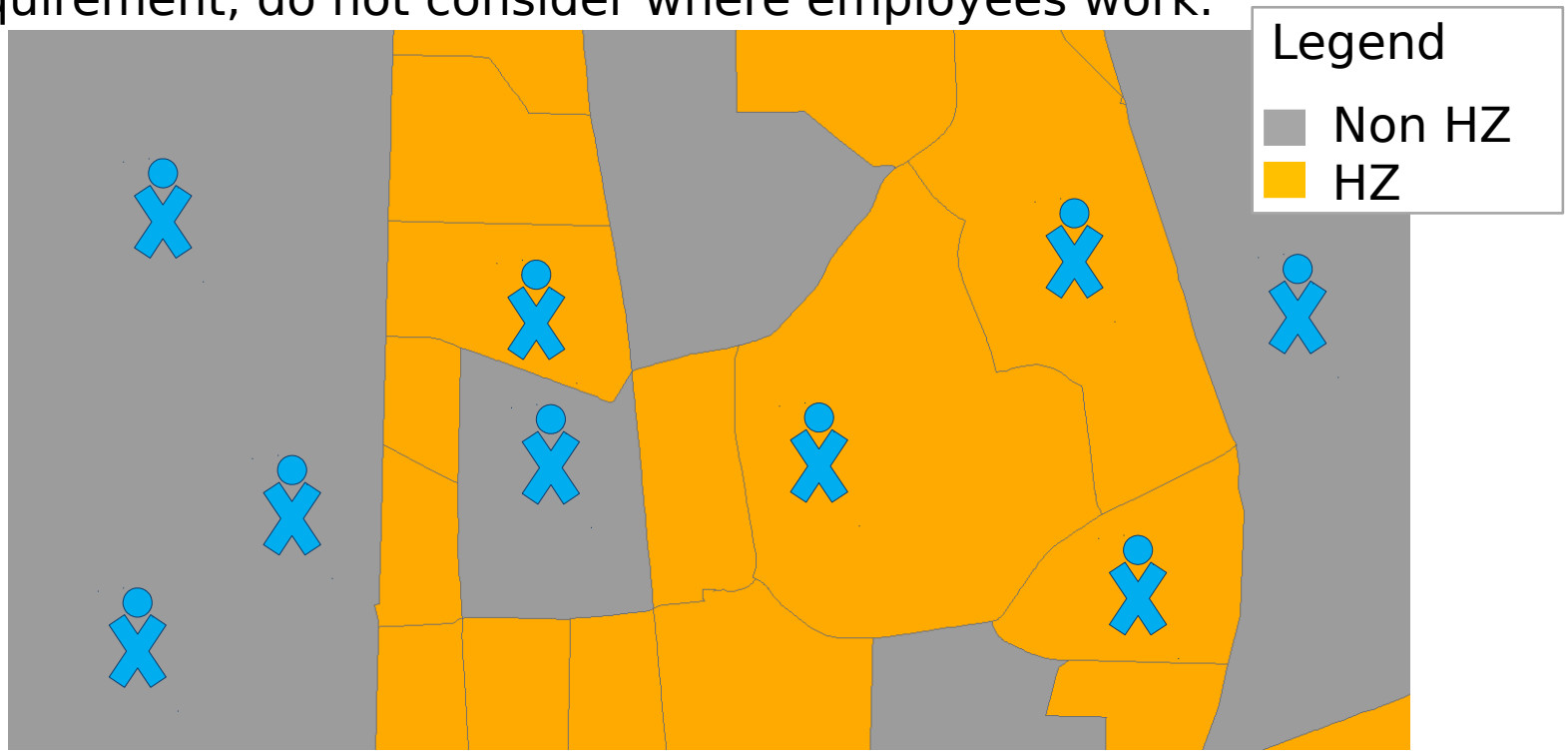
Does this company meet the 35% requirement?

# Answer

When dealing with the evaluation of the 35% employee residency requirement, do not consider where employees work.




Does this firm meet the 35% requirement? **YES**

# Requirements to bid on HUBZone contract 13 CFR 126.601

- At the time a qualified HUBZone SBC submits its initial offer, and where applicable its final offer, on a specific HUBZone contract, it must certify to the CO that:
  - It is a qualified HUBZone SBC that appears on SBA's List;
  - There has been **no material change** in its circumstances since the date of certification shown on the List that could affect its HUBZone eligibility;
  - It is small under the NAICS code assigned to the procurement; and
  - Represent that it will "attempt to maintain" the required percentage of employees who are HUBZone residents during the performance of a HUBZone contract.

- **Attempt to maintain** means making substantive and documented efforts such as written offers of employment, published advertisements seeking employees, and attendance at job fairs. 13 CFR 126.103

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# How to Locate HUBZone contractors

## DSBS

Skip Navigation Accessibility Options
Mobile View Print Exit Help
SBA DSBS
DSBS Quick Market Search TM OnLine
Ready
Welcome to the Dynamic Small Business Search
All search form hotlinks open a new browser window.
All form fields that require typing in data have "tooltips" with data format information.
NEW NEW FEATURES FOR MOBILE USERS:
Phone number hotlinks can be used to dial the number on mobile phones.
Address hotlinks can be used to show the address in Google Maps.
This is generally a self-certifying database. The SBA does not make any representation as to the accuracy of any of the data included, other than certifications relating to 8(a) Business Development, HUBZone or Small Disadvantaged Business status. The SBA strongly recommends that contracting officers diligently review a bidder's small business self-certification before awarding a contract.
Location of Profile
States:
(any state)
AL - Alabama
AK - Alaska
AA - American Atlantic (APO/FPO)
AE - American Europe (APO/FPO)
AP - American Pacific (APO/FPO)
AS - American Samoa
AZ - Arizona
AR - Arkansas
CA - California
(How to make multiple selections.)
Searching within a State:
(Requires exactly one state from the State list at left.)
Congressional District: Help
County: Select 1 State, then press Lookup Lookup Help
Area Code or Phone Number Initial Fragment
Metropolitan Statistical Area Help
SBA Servicing Office Help
Zip Code or Zip Code Initial Fragment
Government Certifications
Last modified: 07/13/2004 12:00:00 AM
> FirstGov > E-Gov > Regulations.gov > White House
* Privacy & Security * Information Quality * FOIA * No Fear Act * ADA
SBA Processing: 0.197 seconds Version: SBSS 8.1.1
Session timeout in 59 minutes.

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# HUBZone Program Benefits

- Set-aside awards
- Sole source awards
- Awards through full and open competition after application of 10% price evaluation preference (PEP)
- Subcontracting Opportunities *(attempt to maintain does not apply)*

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# Federal Government-wide Prime HUBZone Contracting Awards

## by Fiscal Year

- FY 1999 Goal - 1% Actual - not available
- FY 2000 Goal – 1.5% Actual - $663.3 M (.33%)
- FY 2001 Goal – 2.0% Actual - $1.7 B (.72%)
- FY 2002 Goal – 2.5% Actual - $1.7 B (.71%)
- FY 2003 Goal – 3.0% Actual - $3.4 B (1.23%)
- FY 2004 Goal – 3.0% Actual - $4.8 B (1.59%)
- FY 2005 Goal – 3.0% Actual - $6.2 B (1.94%)
- FY 2006 Goal – 3.0% Actual – $7.1 B (2.11%)
- FY 2007 Goal – 3.0% Actual – $8.5 B (2.24%)
- FY 2008 Goal – 3.0% Actual – $10.1 B (2.34%)
- FY2009 Goal – 3.0% Actual – $12.4 B (2.80%)
- FY2010 Goal – 3.0% Actual – $12 B (2.77%)
- FY2011 Goal – 3.0% Actual – $9.9 B (2.35%)

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# Performance of work requirements for HUBZone contracts 13 CFR Section 126.700

- The HUBZone SBCs must spend at least 50% of the cost of the contract incurred for personnel on its own employees or employees of other qualified HUBZone SBCs.
- A qualified HUBZone SBC prime contractor receiving a HUBZone contract for **general construction** may meet this requirement itself by:
  - expending at least 50% of the cost of the contract incurred for personnel on its employees or
  - subcontract at least 35% of the cost of the contract performance incurred for personnel to one or more qualified HUBZone SBCs.
- A qualified HUBZone SBC prime contractor may not, however, subcontract more than 50% of the cost of the contract incurred for personnel to non-qualified HUBZone SBCs.

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# Performance of work requirements for HUBZone contracts 13 CFR Section 126.700 cont'd.

- A qualified HUBZone SBC prime contractor receiving a HUBZone contract for **specialty construction** may meet this requirement itself by:
  - expending at least 50% of the cost of the contract incurred for personnel on its employees or
  - subcontract at least 25% of the cost of the contract performance incurred for personnel to one or more qualified HUBZone SBCs.
- A qualified HUBZone SBC prime contractor may not, however, subcontract more than 50% of the cost of the contract incurred for personnel to non-qualified HUBZone SBCs.
- A contracting officer may waive the 50% requirement for a particular procurement after determining that at least two qualified HUBZone SBCs cannot meet the requirement.

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# For more information . . .

- Visit the HUBZone website at http://www.sba.gov/hubzone for the latest information
- Contact us with any questions you may have at HUBZone@sba.gov
- Also, the HUBZone office offers eligibility assistance on Tuesdays and Thursdays from 2:00 to 3:00 p.m. EST. You are invited to call 1-888-858-2144 Access code 3061773#.

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# THANK YOU!

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